

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4662-01
Bill No.: SB 1288
Subject: Insurance - General; Insurance - Property
Type: Original
Date: April 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	(\$228,147)	(\$180,826)	(\$186,118)
Total Estimated Net Effect on <u>All</u> State Funds	(\$228,147)	(\$180,826)	(\$186,118)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General, Department of Higher Education, City of Kansas City, Department of Economic Development - Division of Finance, Department of Agriculture, Department of Natural Resources, Department of Revenue (DOR), DOR - Missouri State Tax Commission, Office of State Auditor and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of the Secretary of State (SOS)** state this proposal re-enacts the Missouri Title Insurance laws due to a Hammerschmidt violation. The Department of Insurance will promulgate rules to implement the proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 20 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,230 [(20 pp x \$27) + (30 pp x \$23)].

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Insurance (INS)** provide the following assumptions regarding the proposal:

New Revenue for Insurance Dedicated Fund: Continuing education filing fee for 4,500 title agents $\$10 \times 4,500 = \$45,000/2(\text{biennial}) = \$22,500$ (annually).

Filing fee for title courses $\$50 \times 100 = \$5,000$ (annually)

Licensing fee for rating organizations $2 \times \$1,500 = \$3,000$ (once every three years)

Total Revenue to the Insurance Dedicated Fund of \$30,500 for FY 05; \$27,500 for FY 06; and \$27,500 for FY 07.

381.115 allows a licensed insurance agent or agency to name employees to act on their behalf and be either individually licensed or be named on the employing agent's license. Employees of title insurers need not be licensed under proposed legislation. This could potentially reduce the number of title agents being licensed individually but no estimates have been made on loss of revenue to insurance dedicated fund.

Costs from Insurance Dedicated are as follows:

Research Analyst II (1 FTE): Review and enter rate filings and statistical data filed by title insurers, rate organizations, and title agencies. Assist actuary in preparing analysis and reports.

Actuary (0.50 FTE): Review rate filings and conduct actuarial analysis of data submitted justifying rates. Determine reasonableness of rates and recommend approval or rejections. Assist in any compiling information for hearings required on rate filings.

Licensing Technician I (1 FTE): Review and process continuing education courses for approval each year. Process continuing education filings for 4,500 agents. Review and process licensing of rating organizations.

ASSUMPTION (continued)

Financial Analyst II (1 FTE): Analyze insolvencies for organizations, both domestic and outside of Missouri, under changes in the liquidation and receivership laws. Review other financial data as required.

Expense and equipment associated with additional staff and \$74,538 for contracted programming to make modifications to the oracle system due to renewal process for title agents and continuing education requirements. Several areas are problematic for programming such as licensing of agents and agencies which currently the INS only use producer; appointment and terminations which the INS no longer does (since producer bill implemented 1/1/03) and automate the process of naming/listing of employees acting on the agents' behalf.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Licensing and filing fees	\$30,500	\$27,500	\$27,500
<u>Costs - Department of Insurance</u>			
Personal service costs (3.5 FTE)	(\$110,126)	(\$135,455)	(\$138,841)
Fringe benefits	(\$45,592)	(\$56,078)	(\$57,480)
Equipment and expense	(\$102,929)	(\$16,793)	(\$17,297)
Total <u>Cost</u> - Department of Insurance	(\$258,647)	(\$208,326)	(\$213,618)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$228,147)</u>	<u>(\$180,826)</u>	<u>(\$186,118)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal reenacts the Missouri Title Insurance laws that were enacted in SB 894 (2000), because the bill was declared unconstitutional, due to a Hammerschmidt violation in that bill.

The proposal makes changes to and reorganizes the Missouri Title Insurance Act. In its main provisions, the proposal:

(1) Expands the definitions section; (2) Requires a title insurer or title agent issuing a lender's title insurance policy, when no owner's policy has been requested, to give written notice to a purchaser/mortgagor that the lender's policy does not protect the purchaser; (3) Requires a written contract setting forth the allocation of responsibilities between a title insurer and a title insurance agent and delineates the title insurer's supervisory responsibilities regarding title insurance agents; (4) Permits a title insurer or title insurance agent to operate as an escrow, security, settlement, or closing agent if certain listed requirements are complied with or met; (5) Lists the actions the Director of the Department of Insurance may take or penalties that may be imposed against title insurers or title insurance agents that violate the title insurance laws; (6) Prohibits an insurer that transacts any other class, type, or kind of business from obtaining a title insurance license, except that a title insurer can issue closing or settlement protection; (7) Requires domestic and foreign title insurers to file an actuarial certificate with the required annual audited financial report and to establish a supplemental reserve accordingly; (8) Subjects all title insurers to the Missouri Uniform Insurers Liquidation Act; (9) Prohibits the use of listed title insurance forms unless the forms have been approved by the director; (10) Permits a title insurer to meet its obligations regarding premium and form filing by becoming a member or subscriber to a rate service company organized and licensed under the proposal; (11) Sets forth procedures for hearings and review of rate filings; (12) Sets forth requirements for the establishment and licensure of a rate service company; and (13) Requires all title insurance agents to be licensed, lists the responsibilities and obligations for licensure, and details title insurance continuing education requirements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Department of Agriculture
Department of Higher Education
City of Kansas City
Department of Economic Development
Department of Natural Resources
Department of Revenue
Department of Insurance
Office of State Auditor
Office of Secretary of State
Office of State Treasurer
Missouri Tax Commission



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